



STATE OF WASHINGTON

PUBLIC DISCLOSURE COMMISSION

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January 30, 2006

C STEVEN FURY  
710 10<sup>TH</sup> AVE EAST  
PO BOX 20397  
SEATTLE WA 98102

Subject: Complaint filed against Republican State Leadership Committee - PDC Case  
No. 05-107

Dear Mr. Fury:

The Public Disclosure Commission (PDC) staff has completed its investigation of your complaint received October 21, 2004, alleging that the Republican State Leadership Committee (RSLC) failed to include all required information on three PDC form C-5 reports filed following contributions to in-state Washington political committees in September and October 2004, and attempted to conceal the identity of the Washington corporations that were the actual source of the funds contributed by the RSLC to its political committee, the RSLC Washington PAC, in October 2004.

PDC staff reviewed the complaint in light of the following statutes:

**RCW 42.17.093** requires an out-of-state political committee organized for the purpose of supporting or opposing candidates or ballot propositions in another state that is not otherwise required to report under RCW 42.17.040 through 42.17.090 to file PDC form C-5 when it makes an expenditure supporting or opposing a Washington state candidate or political committee. The reporting out-of-state political committee is required to include the name and address of each person residing in the state of Washington or corporation which has a place of business in the state of Washington who has made one or more contributions in the aggregate of more than \$25 to the out-of-state committee during the current calendar year, together with the money value and date of such contributions. A political committee required to file campaign reports with the federal election commission is exempt from reporting under this section.

**RCW 42.17.120** states "No contribution shall be made and no expenditure shall be incurred, directly or indirectly, in a fictitious name, anonymously, or by one person through an agent, relative, or other person in such a manner as to conceal the identity of the source of the contribution or in any other manner so as to effect concealment."



## I.

You alleged that the RSLC failed to include all required information on Line 9 of its C-5 reports filed September 23, October 5 and October 7, 2004. Specifically, you alleged that the RSLC failed to list each person residing in the state of Washington and each corporation which has a place of business in the state of Washington who made a contribution of more than \$25 to the RSLC during calendar year 2004.

We found that:

- On September 13, 2004, the Republican State Leadership Committee Limited Corporate Account made a \$25,000 contribution to the Leadership Council, a political committee located in Seattle, Washington. A C-5 report was timely filed September 23, 2004. Under item 9, the C-5 states, *"No contributions received from Washington residents."*
- On September 28, 2004, the RSLC Limited Corporate Account made an additional \$25,000 contribution to the Leadership Council. A C-5 report was timely filed October 5, 2004. Under item 9, the C-5 states, *"No contributions received from Washington residents."*
- On October 5, 2004, the RSLC Limited Corporate Account made a \$25,000 contribution to Change PAC 2004, located in Olympia, Washington. A C-5 report was timely filed October 7, 2004. Under item 9, the C-5 states, *"No contributions received from Washington residents."*
- RSLC Limited Corporate Account is one of many programs and accounts maintained by the RSLC. For example, RSLC maintains the State Government Leadership Foundation, the Republican Attorney General's Association, the Republican Lieutenant Governor's Association, the Republican Legislative Campaign Committee, the RSLC Federal PAC Account, the RSLC Individual Account, and the RSLC Limited Corporate Account. In addition, the RSLC has registered state PACs in Georgia, Indiana, Minnesota, Mississippi, Missouri, Pennsylvania, Tennessee, Utah, Virginia, and Washington.
- All contributions to the RSLC Limited Corporate Account during calendar year 2004 were from corporations. However, none were from corporations whose headquarters or principal place of business were in Washington state.

In this specific instance, PDC staff has decided to accept the C-5 report, item 9, as filed and will not pursue enforcement action against the RSLC for failing to file a C-5 report for the RSLC rather than for the RSLC Limited Corporate Account. Based on its investigation, the PDC staff believes that the law in this area is unclear and needs additional interpretation. Accordingly, the Commission staff propose to study this issue as it applies to the RSLC and similar national organizations in an effort to provide clarity and guidance for future C-5 reporting by the RSLC and similar national organizations.

Among other things, the study will address the appropriateness of designating an account within an organization, such as the RSLC Limited Corporate Account within the RSLC, as the reporting entity, rather than reporting for the entire organization. In addition, PDC staff will review the proper interpretation of RCW 42.17.093(1)(f) as it applies to reporting the name and address of each person residing in the state of Washington or corporation which has a place of business in the state of Washington who has made one or more reportable contributions.

## II.

You have also alleged that the RSLC attempted to conceal the identity of the Washington corporations who were the actual source of the funds contributed by the RSLC to its political committee, the RSLC Washington PAC, in October 2004.

We found that:

- On October 7, 2004, the RSLC Washington PAC filed a political committee registration statement (C1-pc) to operate as a political committee within the state of Washington. The committee listed addresses in Washington D.C. for its headquarters, bank account, and committee officers. An address in Bellevue, Washington was listed for the review of campaign records during the eight days before elections in which it would participate.
- On October 8, 2004, The RSLC Washington PAC received a single contribution of \$1,265,000 from the RSLC. The contribution was timely reported on October 11, 2004. The expenditure of the funds was timely reported on October 26, 2004. All of the money was paid to Scott Howell & Company, Inc. in Dallas, Texas to pay for independent expenditure political advertising with regard to the race for Washington State Attorney General.

In this instance, PDC staff has also decided to accept the C-3 report as it has been filed by the RSLC Washington PAC. While the PDC will not pursue enforcement action against the RSLC in this instance, it is clear that further study of this issue by Commission staff is warranted as the results of such a study will provide clarity and guidance for future reporting by the RSLC and similar national organizations when an in-state committee is organized and funded by a national organization.

## III.

Your complaint was filed October 21, 2004, before the RSLC was required to file a C-5 report for its October 8, 2004 contribution of \$1,265,000 to the RSLC Washington PAC. The C-5 report was due by November 20, 2004. As noted above, the RSLC Washington PAC timely reported receipt of the contribution. During our investigation of your complaint, the RSLC submitted a list of corporate donors with home addresses in Washington state who made contributions to the RSLC during calendar year 2004. PDC

staff accepted this list of donors in place of the required C-5 report and will not pursue enforcement for a late-filed report. Those corporate donors to the RSLC are as follows:

- Washington Mutual Bank      \$     500
- Microsoft Corporation        \$ 51,500
- Safeco Corporation            \$   5,000
- Expedia                         \$ 10,000

The RSLC contends that as a Section 527 "political organization" registered with the Internal Revenue Service, and not registered with another state or the Federal Election Commission, it is not required to report its contributions to the state of Washington under RCW 42.17.093.

As noted above, there is a difference of opinion concerning whether organizations such as the RSLC are required to report under RCW 42.17.093. It is clear that further study of this issue by Commission staff is warranted as it applies to the RSLC and similar national organizations. To provide clarity and guidance for future reporting by the RSLC and similar national organizations, PDC staff will conduct further study of this issue after conclusion of this case. The review will be to determine the reporting responsibilities of organizations like the RSLC under RCW 42.17.093.

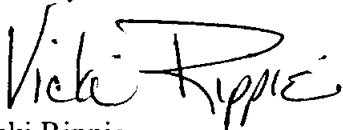
In summary, after a careful review of the alleged violations and relevant facts, we have concluded our investigation and, with the concurrence of the Chair of the Public Disclosure Commission, I am dismissing your complaint against the RSLC. The RSLC is being notified of this dismissal by separate letter.

As noted above, PDC staff will study the issues identified during our investigation and provide guidance for future reporting and disclosure matters for entities such as the RSLC and RSLC Washington PAC.

Please note that while the PDC has decided to dismiss the allegations in this particular case in favor of conducting additional study and review, the PDC reserves the right to bring enforcement actions against entities similarly situated to the RSLC and RSLC Washington PAC in the future should its study and review of the underlying facts in this case and the relevant law warrant such action.

If you have questions, please feel free to contact Phil Stutzman, Director of Compliance, at (360) 664-8853 or toll free at 1-877-601-2828.

Sincerely,

A handwritten signature in black ink that reads "Vicki Rippie". The signature is written in a cursive, flowing style.

Vicki Rippie  
Executive Director